

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEAE-00 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PRS-01 PA-04 USIA-15

SAJ-01 DRC-01 /173 W

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R 211122Z JUN 74

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 3118

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

USMISSION OECD PARIS

AMEMBASSY ROME

C O N F I D E N T I A L VIENNA 5506

EO 11652: GDS

TAGS: PFOR, EGEN, ENRG, UR, AU

SUBJ: AUSTRIAN NEGOTIATIONS WITH SOVIETS ON OIL AND NATURAL GAS

REF : (A) VIENNA 1541; (B) VIENNA 5103 (NOTAL)

1. ANOTHER ROUND OF AUSTRO-SOVIET TALKS ON POSSIBLE ADDITIONAL SUPPLIES OF SOVIET NATURAL GAS WAS HELD IN VIENNA IN EARLY JUNE. NO AGREEMENT WAS REACHED AND TALKS WILL BE RESUMED LATER.

2. IN FURTHER DISCUSSION WITH US, HEAD OF OEMV (BAUER) SAID THAT CURRENT CONTRACT WITH SOVIETS FOR CRUDE OIL PROVIDES FOR SHIPMENTS UP TO ONE MILLION TONS PER ANNUM. FOR NATURAL GAS THE CONTRACT CALLS FOR DELIVERIES OF 1.5 BILLION CUBIC METERS PER ANNUM PLUS 500 MILLION CUBIC METERS "SURPLUS." WHILE AUSTRIANS HAVE LONG WANTED SIZEABLE INCREASE IN SOVIET GAS DELIVERIES, THEY APPARENTLY DO NOT WISH TO PRESS TOO
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HARD FOR TIME BEING AND ARE CONCENTRATING ON HOW TO PARRY SOVIET PRESSURES TO INCREASE PRICE OF NATURAL GAS.

3. BAUER SAID SOVIETS ARE INSISTING ON RELATING NATURAL GAS PRICE TO PRICE OF HEAVY HEATING OIL, WHICH HE ESTIMATES WOULD INCREASE COST OF GAS THREE TIMES. HE SAID PRESENT PRICE OF SOVIET GAS IS \$14.10 PER THOUSAND CUBIC METERS.

4. BAUER TOLD US THAT IN INTEREST OF KEEPING LID ON FURTHER PRICE INCREASES HE IS INTENTIONALLY POSTPONING DECISION AND DOES NOT EXPECT TO AGREE TO SOVIET DEMANDS WHEN THEY MEET NEXT, PROBABLY IN JULY. WHILE HE BELIEVED THAT SOME INCREASE IN GAS PRICE JUSTIFIED, HE FELT THAT HE COULD STRING OUT NEGOTIATIONS AS LONG AS SOVIETS ARE WILLING TO CONTINUE TO SUPPLY GAS UNDER PRESENT CONTRACT. HE FELT THIS WAS IN LONG RANGE INTEREST NOT ONLY FOR AUSTRIAN PRICE LEVELS BUT ALSO FOR PRICES ELSEWHERE. HE EXPRESSED CONCERN THAT IF HE ACCEPTED INORDINATE INCREASE, IT WOULD SET PRECEDENT FOR SOVIETS TO SEEK INCREASES ELSEWHERE.

5. BECAUSE OF HIS TIGHT SCHEDULE, BAUER HAS DECIDED TO POSTPONE HIS US TRIP UNTIL EARLY FALL. HUMES

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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30 JUN 2005

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